

# Education Service Center Funding

## INTRODUCTION

Legislation in 1914 provided for the establishment of County Boards of Education that were primarily charged with the responsibility to reorganize the then 2,674 school districts in the state (many of which were rural one-room school houses) through consolidation and centralization. They were also charged with the task of providing a minimum course of study, in-service training for teachers, assuring that all teachers and administrators were properly certified and providing classroom supervision.

The role of county offices evolved and expanded over the next several decades. In the 1930s, they began assisting districts with fiscal and purchasing services. In the 1960s, their responsibilities expanded again as they began operating special education programs for schools. In the 1970s, County Boards added additional professional development offerings to their catalog of services. Each of these service activities is continued today.

Whereas initially County Boards of Education served local school districts, in 1989, Senate Bill 140 allowed them to contract with city and exempted village school districts for the same line of services as they provided to local school districts.

In 1995, under HB 117, the County Boards of Education were renamed “Educational Service Centers” (ESC) and went through an initial round of consolidations. This legislation promoted a role change for ESCs from that of imposing standardization on small rural districts to providing large-scale support and special programs to local as well as city and exempted village school districts.

School districts that enter into a service agreement with an ESC are referred to as ‘client districts’. Agreement for services with an ESC can be entered into under the provisions of two sections of the law. ORC Section 3313.843 and ORC Section 3313.845. ORC Section 3313.843 provides the parameters under which a client district can enter into an agreement with an ESC. ORC Section 3313.845 allows an ESC to contract with any school district anywhere in the state for services based on mutually agreed upon contracts. So, a district could be a client district of one ESC under Section 3313.843 and have a contract with another ESC under section 3313.845 simultaneously.

The main sources of revenue of ESCs are the local funds that are deducted from the state foundation funding of the client districts and transferred to the ESC under ORC Sections 3313.843 or 3313.845 as well as state funds that are distributed directly to the ESCs based on parameters listed in Section 265.210 and 265.360. Additionally, ESCs can apply to any state or federal agency for competitive grants.

## ORC SECTION 3313.843 CONTRACTS

Presently the law provides that city, exempted village and local school districts with an average daily enrollment of 16,000 or less must enter into an agreement with an ESC under ORC Section 3313.843. The services the ESC provides to the client district under this section may include a variety of services including special education for students with special needs. Since ESCs have no legal taxing or bonding authority they must depend on revenues from member school districts.

### Local Per-Pupil Funding

ORC Section 3313.843(H) provides that pursuant to provisions of ORC Section 3317.023 the Ohio Department of Education annually shall deduct from each school district that enters into an agreement with an ESC under this section, a per-pupil amount of \$6.50 or an alternative amount in excess of \$6.50 if

agreed upon by both the ESC and the client districts to be paid to the ESC. The per-pupil amount is multiplied by the school age students count of the client district as reported on the latest Report Card. Individual district information can be viewed on ODE website by visiting the 'Client District Report' of this [link](#). The following table shows a sample calculation of the local per-pupil funding of a hypothetical ESC.

<b>Client School Districts</b>	<b>Total Student Count</b>	<b>Per-Pupil Amount</b>	<b>District Per-Pupil Deduction</b>
School District 1	3,571.43	\$6.50	\$23,214.30
School District 2	1,101.07	\$6.50	\$7,156.96
School District 3	1,773.84	\$6.50	\$11,529.96
School District 4	2,548.40	\$6.50	\$16,564.60
School District 5	1,092.98	\$6.50	\$7,104.37
School District 6	869.21	\$6.50	\$5,649.87
School District 7	2,549.11	\$6.50	\$16,569.22
School District 8	990.40	\$6.50	\$6,437.60
School District 9	1,106.18	\$6.50	\$7,190.17
<b>Total Transferred to ESC</b>	<b>15,602.62</b>		<b>\$381,935.55</b>

Sample Calculation of the ESC Per-Pupil Funding Deducted from Client District Foundation Funding

### Local Preschool Funding

In addition to services provided to school age children, ESCs also provide preschool services to children with disabilities who are under the age of 6 and are not enrolled in kindergarten. Under the provisions of ORC Section 3317.0213, the Ohio Department of Education shall compute and pay additional state aid to school districts for preschool children with disabilities. The state funding for preschool services goes directly to the school district based on the count of students the district reports. The district can choose to provide the services itself or contract with an ESC. Preschool funding will be calculated based on parameters specified in ORC Section 3317.0213(A). If the district provides the services itself, then the funding will remain with the district. If on the other hand the district contracts with an ESC, the calculated funding will be deducted from the foundation payment of the district and sent to the ESC.

School districts and ESCs can also agree on an alternative payment mechanism or they can agree on bypassing ODE altogether and base the payments directly from the district to the ESC. Should the district use the ESC services for preschool children and have ODE deduct the funding from its foundation funding, the ESC funding will be based on a constant per pupil amount of \$4,000 applied to the total count of all preschool children with disabilities plus special education per-pupil amounts as specified in the law, applied to each one of the 6 categories of special education preschool children. For this purpose special education preschool children are classified into 6 categories in accordance with their handicapping condition. The law provides for a unique per-pupil amount for each category that is applied at 50% strength to the number of children in the respective category. To wealth equalize this funding the law also calls for the application of the state share index which is the measure of the state contribution to the foundation formula of the district to this part of the funding calculation.

The 6 categories of students with their respective per pupil amounts in FY20 and FY21 are as follows:

Category 1 with the per-pupil amount of \$1,578 comprising of children with the following conditions:

- Students with Speech and Language Disability

Category 2 with the per-pupil amount of \$4,005 comprising of children with the following conditions:

- Students with Specific Learning Disability
- Students with Developmental Disability
- Students with Other Health Impairment (minor)
- Preschool Children who are Developmentally Delayed

Category 3 with the per-pupil amount of \$9,622 comprising of children with the following conditions:

- Students with Hearing Disability
- Students with Severe Behavior Disability

Category 4 with the per-pupil amount of \$12,841 comprising of children with the following conditions:

- Students with Vision Impairment
- Students with Other Health Impairment (major)

Category 5 with the per-pupil amount of \$17,390 comprising of children with the following conditions:

- Students with Orthopedic Disability
- Students with Multiple Disabilities

Category 6 with the per-pupil amount of \$25,637 comprising of children with the following conditions:

- Students with Autism
- Students with both Vision and Hearing Impairment
- Students with Traumatic Brain Injury

The funding calculation can be shown mathematically as follows:

$$\begin{aligned}
 &(\$4,000 \times \text{Total Count of Children in all 6 Categories}) + \\
 &[(\$1,578 \times \text{Category 1 Count} \times 0.5 \times \text{State Share Index}) + \\
 &(\$4,005 \times \text{Category 2 Count} \times 0.5 \times \text{State Share Index}) + \\
 &(\$9,622 \times \text{Category 3 Count} \times 0.5 \times \text{State Share Index}) + \\
 &(\$12,841 \times \text{Category 4 Count} \times 0.5 \times \text{State Share Index}) + \\
 &(\$17,390 \times \text{Category 5 Count} \times 0.5 \times \text{State Share Index}) + \\
 &[(\$25,637 \times \text{Category 6 Count} \times 0.5 \times \text{State Share Index})]
 \end{aligned}$$

Individual district information can be viewed on ODE website by visiting this [link and choosing the 'Preschool Special Ed Report' option.](#)

## ORC SECTION 3313.845 CONTRACTS

In addition to service contracts under ORC Section 3313.843, city, exempted village, local and joint vocational school districts may set up contracts with ESCs for various services based on agreed upon fees beyond those covered by ORC Section 3313.843 contracts. Funds for these contractual services can be deducted from contracting school districts' foundation calculation and sent to the appropriate ESCs. To receive payment for these contracts, an ESC must furnish the Ohio Department of Education with a copy of the contract or a written statement clearly indicating the amount of the contract for each contracting school district. ESCs also have the option of billing school districts directly for these contracts instead of having the state deduct the contract amounts from their foundation funding. Individual district information on these contracts can be viewed on ODE website by visiting this link.

## ORC SECTION 3313.844 AGREEMENTS

This section of the law provides for community schools to enter into agreements with ESCs through adoption of identical resolutions under which the ESC will provide various services to the community schools. Services provided and the amount and the manner in which the community school will pay the ESC shall be mutually agreed upon and reflected in their service agreement. The agreement may provide for payment to be made to the ESC by the community school directly or it may provide for ODE to deduct funds from the funding of the community school for the ESC. The agreement must be filed with the Department of Education in order for it to be valid.

## ORC SECTION 265.210 AND 265.360

Sections 265.210 and 265.360 provide for the direct state funding of the ESCs in conjunction with the local funding for the general purpose of program maintenance and service delivery to client school districts.

### State Per-Pupil Funding

This funding materializes in the form of a per-pupil amount applied to the same student count extracted from the latest Report Card as was utilized in the calculation of the local per-pupil funding under Section 3313.843 referenced above. For the purposes of this funding, the law distinguishes the ‘High Performing’ ESCs pursuant to Rule 3301-105-01 of the Administrative Code from the other ESCs and applies two per-pupil amounts to their state funding based on that distinction. High Performing ESCs are granted a per-pupil amount of \$26.00 while other ESCs’ state funding is based on the per-pupil amount of \$24.00.

The law provides for \$40,000,000 in each fiscal year (FY20 and FY21) to be set aside from the Foundation Funding (line item 200-550) for this purpose. As the appropriation for this funding is set and the funding is based on a constant per-pupil amount, it is often necessary and authorized by law for the fund distribution to be prorated in order to stay within the appropriations. Obviously as the data changes during the course of a fiscal year, so does the proration rate to maintain the appropriated levels. The state per-pupil distribution of individual ESCs can be viewed on ODE website by visiting this link and choosing the ‘Client District Report’ option.

### State Gifted Funding

Another component of the state funding of the ESCs is for gifted education. Under this section of the law ODE is authorized to set aside \$3,800,000 of the total statewide appropriation slated for Foundation Funding (line item 200-550) for ESC gifted education. ODE is to distribute this funding through the unit-based funding methodology in place under ORC Section 3317.024(L), ORC Section 3317.05(E) and ORC Section 3317.053(A), (B) and (C) as they existed prior to FY2010. These sections of the law provide for the cost of each gifted unit to be predicated on the salary and fringes of the FTE of the personnel involved at 15% of the salary figure as well as any additional unit allowances the law allows. The law also provides for the proration of the resulting state funding if the appropriation is not sufficient. The following table summarizes the state gifted education funding for a hypothetical ESC:

Personnel	FTE	Position	Minimum Salary	Fringe Benefit	Unit Allowance	Total Unit Cost	Prorated Unit Cost
Personnel 1	1.00	Coordinator	\$27,591	\$4,139	\$7,929	\$39,659	\$22,965
Personnel 2	0.60	Coordinator	\$16,555	\$2,483	\$4,757	\$23,795	\$13,778
Personnel 3	1.00	Teacher	\$18,615	\$2,792	\$7,929	\$29,336	\$16,987
<b>Total</b>	<b>2.60</b>		<b>\$62,761</b>	<b>\$9,414</b>	<b>\$20,615</b>	<b>\$92,790</b>	<b>\$53,730</b>

In the table above, Personnel 1, a gifted coordinator is employed full time so the FTE associated with him is 1.00. The minimum salary for this employee is \$ 27,591. Based on that salary, the fringe benefit of \$4,139 is calculated ( $\$27,591 \times 0.15$ ). The law also provides for a unit allowance of \$7,929 for each full FTE coordinator which once added to the salary and the fringe benefit gives a total unit cost of \$39,659 [ $(1.00 \times \$27,591) + (\$27,591 \times 0.15) + (1.00 \times \$7,929)$ ]. Gifted funding for individual ESCs can be viewed on ODE website by visiting this link and choosing the 'Gifted Report' option.

### ADMINISTRATIVE RULE 3301-83-01(D)

In addition to the above-mentioned funding from the state, ESCs also receive funding to cover the costs associated with the transportation of special needs students and for special equipment needed for such transportation. This aid is calculated as the lesser of the actual cost reported or the sum of \$6 per pupil per day plus half of the amount by which the actual cost exceeds \$6 per pupil per day. The state covers 25% of this amount.

### CONCLUSION

Education Service Centers provide a wide variety of services to the majority of the state's school districts, community schools, chartered non-public schools and state run juvenile detention facilities ranging from curriculum development and in-service training to special education, speech language and hearing services, cooperative purchasing consortia and sponsorship of community schools to name just a few. Over \$250 million is spent to provide these services annually with about one third coming from the state and two thirds being paid for by client districts. This literature is intended to provide a bird's eye view of the funding of these entities. We welcome comments or suggestions that would result in its improvement.

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